C4722-2
9/13/88

SEPTEMBER 12, 1988

CableVision

INFORMATION AND ANALYSIS FOR CABLE TELEVISION MANAGEMENT

JUNK BONDS, HOT STUFF

HACKERS: WHO ARE THOSE GUYS?

GEARING UP FOR INSERTION

HBO BREAKS THE EMMY ICE

GI SEES THE FIBER LIGHT

CROSS-CHANNEL PROMOS: CAPTURING THE VIEWER

SHOWTIME

"PEGGY SUE GOT MARRIED"

6:30 p.m.
Ch 13

SUN MAR 21 — 6:30 PM — 5:51:02 PM

8 KOTV — SIXTY MINUTES CONT

11 PBS — THE WONDER OF IT ALL

13 SHOW — "PEGGY SUE GOT MARRIED"

16 TMC — "THE COLOR PURPLE"

CableVision

FRONT LINE

GI jumps into fiber 12
Through several moves, General Instrument establishes itself up for the long haul in putting lightwave technology at the service of cable operators.

HBO wins Emmys 16
The acclaimed documentary *Dear America: Letters Home From Vietnam* wins two Emmy Awards for HBO, as cable gets its first shot at the prestigious statues.

FCC votes on HDTV 16
Broadcasters win an important victory when the FCC votes to require that any advanced TV system be compatible with present-day TV sets, but the commission rules that any extra spectrum required come from existing UHF or VHF bands.

CVN gets fashionable 20
After assuming control of the troubled Fashion Channel, Cable Value Network meets with Fashion affiliates at the Eastern Show to shore up relations.

Mickelson sold 21
Century Communications pays $46 million for Mickelson Media and greatly increases its presence in the West.

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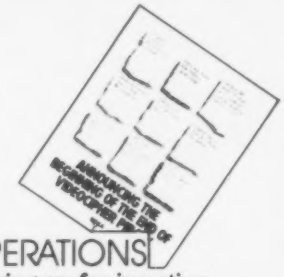

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The increasing number of local ads don't just magically appear on the air. They have to be sold, sure, but also they must be trafficked and inserted by equipment that's making a cable headend look more like a TV station.

LAW AND REGULATION

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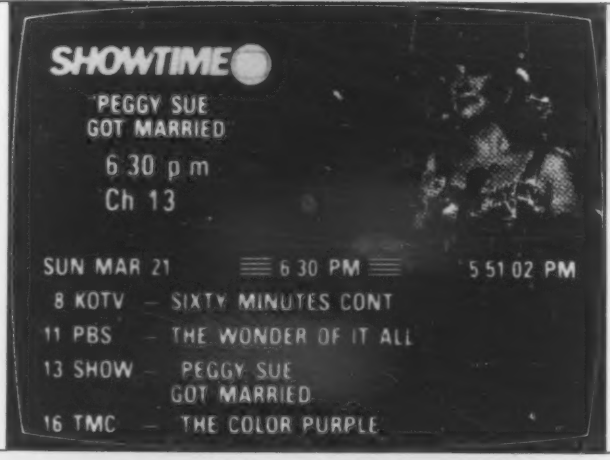
The stark statistic that as many as half of all VCIIs in backyard dishes may have been juiced up with illegal chips implies a mystery appropriate to a John LeCarre novel. But while there is intrigue out there, mostly it's a tale of hackers, a real cops and robbers story.

BUSINESS

Hot junk 60
Pity Viacom. It planned a $300 million offering of high-yield securities, then upped the offering to $500 million only to find it could have sold twice that amount. The junk bond market is hot, and few market sectors are viewed as favorably as cable.

Cooke sells out—again 66
There he goes again. The history of rising system values can almost be traced by the comings and goings of Jack Kent Cooke: Teleprompter for several hundred per sub, McCaw and First Carolina for $2,000 per sub, and now he's offering Cooke Cablevision for $2,800 per sub.


SHOWTIME
PEGGY SUE
GOT MARRIED
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Ch 13
SUN MAR 21
6 30 PM
5 51 02 PM
8 KOTV — SIXTY MINUTES CONT
11 PBS — THE WONDER OF IT ALL
13 SHOW — PEGGY SUE GOT MARRIED
16 TMC — THE COLOR PURPLE

A Prevue Guide on-air spot showing system-specific listings along with a promotional video clip is an example of the savvier promotional vehicles nowadays

COVER STORY

Coming up next... 24
Cross-channel promotion appears to have sneaked up on operators. Just yesterday, it seems, tune-in was confined to panel sessions at trade shows, but now it's exploding across the industry as vendors and operators ratchet up their game a few notches.

BETWEEN THE LINES

Promoting the product and informing viewers

Every year the three broadcast networks meet with their affiliates to talk business and screen the new fall shows. With that out of the way, attention then focuses on the unveiling of the new network ID jingle and related promotional spots. "CBS Spirit, Oh Yes!" is a punchy one that swims back from memory. The rhythmic "NBC Let's All Be There" was a hit that many affiliates thought couldn't be topped, until that network wowed the crowd the following year with "Come Home to NBC."

Having seen the new network ID and promos, the general managers of the affiliate stations would sit around seriously discussing and weighing the artistic merit and graphic impact of these programming snippets, much as they might try to gauge how successful *Magnum P.I.* might be in the coming year.

Covering those conventions as a callow youth in those days, it seemed riotously funny that such mavens of broadcasting would expend so much time taxing their brains over those precious few seconds of air time.

But those station GMs knew that, in television, the promotion of the product can be as important as the product itself. This truism now is making itself known in the cable business, as is evident from our assessment of the rapidly evolving field of cross-channel promotion and on-air system image development (page 24).

Promoting cable programming to an audience seemingly sated by the complexity of channels is a daunting task. But it is that complexity itself which makes cross-channel promotion all the more important. Laudable progress seems to be coming from several quarters of the industry, not the least from individual systems, which are making the commitment to inform viewers through on-air IDs just who it is that's sending them a bill every month.

And on a related front, it is evident that local ad sales is becoming serious business, given that MSOs and individual systems are spending serious money buying insertion and trafficking equipment (p. 44). In our review of equipment to support local ad sales, we find a lot of good products out there, products that are being put to profitable use.

Through this page, *CableVision* frequently attempts to inform its readers about the editorial direction of the magazine, and changes we are making to provide you with a more useful, attractive product. On that score, we have two things to report to you.

Through reader surveys and informal conversations at trade shows and other meetings, you have told us of your need for more detailed, practical information and analysis of cable equipment and technology. And we are responding by expanding our writing staff and hiring an experienced journalist well versed on issues ranging from converter boxes to billing systems to system architecture. You can read more about Richard Tedesco, our new national editor, on page 21.

Also, beginning next month *CableVision* will have a completely new look, cover to cover. The redesign of the magazine, by a team of experienced artists, reflects the growing complexity of the cable industry and the increasing sophistication of the players in the business. We hope that you will like the new look, but looks alone isn't the main issue; it's our commitment to making the information in the magazine more accessible. Frankly, the fact that we are able to report both of these developments is a reflection of the increasing support that the industry is giving the magazine. We thank you for that support and encouragement, and intend to pay you back through these moves.

—Steve Tuttle
Editor, Associate Publisher

CableVision

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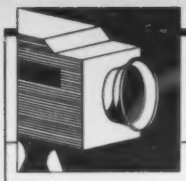

PROGRAMMING

Sports will be 'ancillary' to CNBC

By Wayne Friedman

Describing what CNBC will look like on weekends is simple, says Michael Eskridge, president of the new network. "It's ancillary." Weekends are where it mostly will air sports programming. Business news will air Monday through Friday, and up to noon on the weekends.

This means, in essence, that CNBC primarily will be a business network, says Eskridge. Sports will play a supporting role, and as such will be programmed as other cable sports channels are. "We are not trying to break new ground," he says. "Most sports are already represented (on television)."

Eskridge says that being similar to an ESPN or a SportsChannel means that CNBC will have its share of repeating sports events. And like rival ESPN, it possibly will offer a daily sports news show.

Golf, tennis and college basketball are included in the initial programming strategy, says Eskridge. Although no events have been secured yet, it hasn't escaped notice that NBC holds early-round rights to sell some tennis and golf events. It is also talking with Lou Duva about boxing.

CNBC has told potential cable affiliates that its license fee could contain extra charges to pay for top-notch sports events, should any be obtained. Eskridge wouldn't what top-notch events CNBC has in mind, but he says you can count out NFL football. The extra fee would be over and above the 7 cents a month/sub charge that it initially will charge affiliates. "It's performance based," says Eskridge, depending on how the service fares in ratings.

Although there are economies of scale accruing to CNBC from tapping into NBC News and Sports, there won't be any savings on the advertiser sales side. It'll set up its own sales unit. Could advertisers then buy time on the broadcast network as well as the cable sports program in a package? "I wouldn't think so... (but) it's a possibility," says Eskridge.

The entrance of CNBC into the cable sports arena has prompted some to forecast a bidding war for rights to sporting events product between ABC and its cable unit, ESPN, and NBC and its cable operation, CNBC. But Eskridge doesn't think that will happen. He says there is an abundant supply of sports programs, and not just narrower sports like truck and tractor pulls. For example, he says, many tennis and golf events go untelevised. ■

Figuring why Seattle may be good for Games

Rex Lardner, senior vice president and general manager of the Goodwill Games, can tick off on his fingers several reasons why the 1990 Games in Seattle should be more successful than the less-than-stellar 1986 version.

Finger No. 1 is experience, a quality that also figures into the factors cited on his other fingers. Mainly, TBS has been around the track once now, and is better prepared to stage the mammoth event.

Finger No. 2 for Lardner is increased credibility among athletes and the public. The 1990 Goodwill Games now have been sanctioned by the United States Olympic Committee and other athletic organizations. Quickly running through the other fingers on his hand, Lardner mentions that the Seattle event won't have much television competition, and the fact that the TBS sales team will have about two years in which to sell television spots.

Pepsi is the first advertiser to come on board. John Popkowski, vice president of national sales for TBS, says Pepsi grabbed one of the Games "gold" sponsorship packages, which includes spots, TV billboards, signage, hospitality suites and other goodies. If five such sponsorship packages are sold, Lardner says, it would represent half of all advertising time during the Games. There are 20 total packages in the group, including "silver" and "bronze" advertising deals.

Some advertisers said they thought the Games were overpriced the first time around. "It's going to be a lot more realistic," says Rich Forester, vice president of network programming for Ketchum Communications, about ad prices for the 1990 Games. Part of the reason is the underestimation of a combined over-the-air and cable rating. Turner guaranteed a 5 Nielsen national combined rating. It actually did a 2.5 number. This time around Popkowski is selling a 7 Nielsen NHI rating for running the event only on TBS. ■

Top Basic Cable Network Sports Programs
August 15-21

	Date	Program	Net	Rating	Homes
1.	8/21	NFL: Vikings-Cardinals	ESPN	6.4	3,060,000
2.	8/15	Baseball: Braves-Pirates	WTBS	4.0	1,787,000
3.	8/22	SportsCenter	ESPN	2.8	1,340,000
4.	8/16	Baseball: Braves-Pirates	WTBS	2.8	1,261,000
5.	8/16	Waterskiing	ESPN	2.7	1,290,000
6.	8/21	Nascar: Champion Spark Plug 400	ESPN	2.7	1,290,000
7.	8/18	Truck and Tractor Pulling	ESPN	2.6	1,240,000
8.	8/17	Baseball: Braves-Pirates	WTBS	2.3	1,019,000
9.	8/16	Women's Pro Beach Volleyball	ESPN	2.1	1,000,000
10.	8/16	SportsCenter	ESPN	2.0	960,000

All ratings from Nielsen HomeVideo Index.

Correction: In CableVision edition on August 29, USA's Network boxing event featuring Mark Breland and Pablo Baez on August 11 should have been included in the sports chart. It scored a 2.2. rating.

What's on the Pays/October

Cinemax

New Movies

Title	MPAA Rating	Distributor
A Bullet Is Waiting	NR	Columbia
Amazon Women on the Moon	R	Universal
Angel Heart	R	Tri-Star
Beyond Therapy	R	New World
Busted Up	R	Universal
Convoy	PG	MGM/UA
Crystal Heart	R	New World
Date With An Angel	PG	De Laurentis
Face of a Fugitive	NR	Columbia
The Fall of the Roman Empire	NR	Paramount
The Fourth Protocol	R	Lorimar-Telepics.
Hard Traveling	PG	New World
Here Comes Mr. Jordan	NR	Columbia
Hiding Out	PG13	De Laurentis
Jake Speed	PG	New World
Little Shop of Horrors	PG13	Warner Bros.
The Lost Boys	R	Warner Bros.
Making Mr. Right	PG13	Orion
Malcolm	PG13	Vestron Int.
Missing in Action 2—The Beginning	R	Cannon
The Naked Prey	NR	Paramount
The Name of the Rose	R	Fox
Rage of Honor	R	Hal Roach
Safe At Home	NR	Columbia
The Sandpiper	NR	MGM/UA
The Slugger's Wife	PG13	Columbia
Topper	NR	Hal Roach
Welcome to 18	PG13	American Dist. Group
Who's That Girl	PG	Warner Bros.
Wrong is Right	R	Columbia

Original Programming/Specials

The Max Movie Show (#4)
Charlie Chaplin: The Little Tramp
Cinemax Sessions: A Jazz Session—Sass & Brass
Cinemax Comedy Experiment: Rap Master Ronnie—A Report Card
The Original Max Talking Headroom Show (#1)

Highlights

Cinemax Vintage Performances: John Lennon
Cinemax Sessions: Les Paul & Friends

House of Games	R	Orion
Innerspace	PG	Warner Bros.
Less Than Zero	R	Fox

Innerspace

The Disney Channel

New Movies

An American in Paris	NR	MGM/UA
The Canterville Ghost	NR	Wonderworks
Casebusters	NR	Disney
A Disney Halloween	NR	Disney
A Dog of Flanders	NR	UPA Prod.
The Ghost and Mrs. Muir	NR	20th Century Fox
The Haunted School	NR	Revcom Television
The Horse in the Gray Flannel Suit	G	Disney
Kid Colter	NR	The Movie Store
Lefty, The Ding-A-Ling Lynx	NR	Disney
Classic's Illustrated's The Legend of Sleepy Hollow	NR	Viacom
The Lion, The Witch and The Wardrobe	NR	Distinguished Prod.
Mary White	NR	UPA Productions
Miss Morison's Ghosts	NR	Independent TV Entertainment
Misty	NR	UPA Productions
Mr. Belvedere Rings the Bell	NR	20th Century Fox
Mr. Boogedy	NR	Disney
Mystery on Monster Island	NR	20th Century Fox
On A Clear Day You Can See Forever	G	Paramount
On the Double	NR	Paramount
Once Upon a Brothers Grimm	NR	Four Star Int.
Return From Witch Mountain	NR	Disney
Samson and Delilah	NR	Paramount
Seven Brides for Seven Brothers	G	MGM/UA
Sitting Pretty	NR	20th Century Fox
Swallows and Amazons Forever! Coot Club	NR	Primetime Entertainment
Tex	PG	Disney
The Three Amigos	PG	HBO
The Three Caballeros	G	Disney
Topper	NR	Hal Roach
Topper Returns	NR	Hal Roach
Topper Takes a Trip	NR	Hal Roach
The Watcher in the Woods	PG	Disney
Witch's Sister	NR	Film Gallery
The World's Greatest Athlete	G	Disney

Original Programming/Specials

All the Best, Steve Allen	NR
Dr. Seuss's Halloween is Grinch Night	NR
Funny, You Don't Look 200	NR
The Halloween That Almost Wasn't	NR
Jack London's Tales of the Klondike: The One Thousand Dozen	NR
Raggedy Ann & Andy: The Pumpkin That Couldn't Smile	NR

JFK: A Celebration of His Life and Times

Highlights

JFK: A Celebration of His Life and Times

Kaleidoscope Concert: Glenn Bennett	NR
The Making of the President (1960)	NR
The Making of the President (1964)	NR
Raffi in Concert With the Rise and Shine Band	NR
Robbery Under Arms	NR
Susannah of the Mounties	NR
"We the People..."	NR

"Storybook Cinema"

Home Box Office

New Movies

The Believers	R	Orion
The Big Town	R	Columbia
Crazy Moon	PG13	Miramax
Flowers in the Attic*	PG13	New World
Heart*	R	New World
Hyper Sapien: People From Another Star	PG	Video Med.
Man On Fire*	R	Empax
Prince of Darkness	R	Universal
The Principal	R	Tri-Star
Real Men*	PG13	MGM/UA
The Stepfather*	R	New Century
The Women's Club	R	Vestron

Original Programming/Specials

HBO Cinema Workshop #4
HBO Comedy Hour: 2 Titles TBA
HBO Coming Attractions
More of the Best of Not Necessarily the News
OL: The Kids in the Hall
WCB: Julio Cesar Chavez vs. Jose Luis Ramirez
Inside the NFL (#05-08)

Highlights

1st & Ten: The Bulls Mean Business
Gardens of Stone R Tri-Star
HBO Showcase: Lip Service
Hollywood Shuffle R Goldwyn
Innerspace PG Warner Bros.
The Princess Bride PG 20th Century Fox
WCB: Mike Tyson vs. Frank Bruno
Weeds R De Laurentis

Lip Service

The Movie Channel

New Movies

Amazon Women on the Moon	R	Universal
American Dream	NR	Viacom
Belizaire the Cajun	PG	New Century
Big Bad Mama II	R	MGM/UA
Class of Nuke 'em High	R	Troma
Echo Park	R	Atlantic
Fearless Vampire Killers	NR	MGM/UA
Fool for Love	R	Cannon
Go West, Young Girl	NR	Coca Cola
A Great Wall	PG	Orion
Lightning—The White Stallion	PG	Cannon
The Longest Night	NR	Universal
The Men's Club	R	Atlantic
A Night in Casablanca	NR	Castle Hill
A Nightmare on Elm Street 3: Dream Warriors	R	Universal
Number One With a Bullet	R	Cannon
On the Edge	PG13	New Century
Running Wild	G	Viacom
The Savage Innocents	NR	Paramount
Stakeout	R	Touchstone
Three for the Road	PG	Vista
The Toxic Avenger	R	Troa
Trick or Treat	R	DEG
Under Cover	R	Cannon
The Whoopee Boys	R	Paramount

Highlights

The Princess Bride

Adventures in Babysitting	PG-13	Touchstone
Beverly Hills Cop II	R	Paramount
House of Games	R	Orion
Less Than Zero	R	Fox/Lorber
Maid to Order	PG	Vista
No Man's Land	R	Orion
Prince of Darkness	R	Universal
The Princess Bride	PG	20th Century-Fox

Showtime

New Movies

Allan Quatermain and the Lost City of Gold	PG	Cannon
American Ninja 2: The Confrontation	R	Cannon
Black Venus	R	Playboy
Bullies	R	Universal
Dancers	PG13	Cannon
Divorced Kid Blues	NR	J. Phillips
The Golden Child	PG13	Paramount
Half Moon Street	R	RKO/Presser
I Own the Racecourse	NR	Miramax
In Search of a Golden Sky	PG	The Movie Store
Kismet	NR	MGM/UA
Making Mr. Right	PG13	Orion
Manhunter	R	DEG
Moonlight	NR	Universal
She's 19 and Ready	R	Telepictures
Stakeout	R	Touchstone
Street Smart	R	Cannon
Tough Guys Don't Dance	R	Cannon
Wild Thing	PG13	Atlantic

Original Programming/Specials

Beverly Hills Cop

An All Star Tribute to Woody Guthrie and Leadbelly Brothers
Celebrity Close-Up
Elton John in Australia
Eric Clapton & Friends
Fleetwood Mac: Tango in the Night
Gallagher: The Maddest
Gleason: He's the Greatest
It's Garry Shandling's Show
Motown on Showtime: Michael Jackson
Paul Simon's Graceland: The African Concert
Picnic
A Rock 'N' Roll Summit: An American-Soviet Music Event
Showtime Championship Boxing
Showtime Coast to Coast
Showtime Comedy Club Network
Super Dave
Suzanne Somers Presents: Showtime's Triple Crown of Comedy
That's What Friends Are For: AIDS Concert '88

Highlights

Adventures in Babysitting	PG-13	Touchstone
Beverly Hills Cop II	R	Paramount
Hail! Hail! Rock 'N' Roll	PG	Universal
Less Than Zero	R	20th Century-Fox
Maid to Order	PG	Vista
The Princess Bride	PG	20th Century-Fox
Prince of Darkness	R	Universal

(**denotes duplicated and exclusive between Showtime and TMC)

A new glitter in junk

High-yield paper finding eager buyers in tight times

By Virginia Munger Kahn

When Viacom International was preparing to refinance some of its debt this spring, executives at the company thought a $300 million issue of high-yield securities would just about fit the market's and its own needs. By the time the company actually brought the bonds to market in July, however, the offering had been upped to $500 million and, according to Viacom Chairman Sumner Redstone, the company could have sold twice that amount to investors.

Junk bonds are hot right now and few sectors of the market are viewed as favorably as cable issues. Within the past few months junk issues have outperformed all other fixed income securites and, not surprisingly, mutual funds report that money is pouring into their high-yield bond funds. At the end of July, assets in these funds totalled $30.1 billion, up 24 percent over the December 1987 figure, according to the Investment Company Institute. The attraction of high yield issues on the part of individual and institutional investors is the same—the drive for yield and an increasing comfort with the fate of the economy and the junk bonds themselves.

As Peter Hagle, first vice president at Van Kampen Merritt, notes, many other fixed income instruments, from bank CD's to Treasury issues, offer yields of only six to eight percent. As yields have faded in this economy's low inflation environment, junk bonds have become increasingly attractive.

In addition, investors are becoming increasingly comfortable with the securities. "As the market is maturing,

See **Junk**, *page 62*

High Yield Cable Issues
1980-present

Company	Security	Coupon	Maturity	Amount Outstanding ($MM)
Adams-Russell	Sr. Sub. Deferred Notes	16.750%	12/30/97	$ 273
Adelphia Communications	Sr. Sub. Notes	13.000	08/01/96	100
American Cablesystems	Sr. Sub. Notes	11.750	05/01/96	100
Arsenal Acquiring (Viacom International)	Sr. Sub. Deb.	14.375	06/15/02	399
Cablevision Industries Corp.	Sr. Sub. Notes	11.250*	02/15/02	150
Cablevision Systems	Sr. Sub. Deb.	14.375	09/15/97	75
Canadian Cablesystems	Zero Coupon Notes	—	03/01/88	32
	Zero Coupon Notes	—	03/01/89	32
	Sr. Deb.	13.625	03/01/98	75
	Sr. Sub. Deb.	14.250	03/01/98	75
Comcast Corporation	Sr. Sub. Deb.	11.750*	08/01/06	110
Continental Cablevision	Sr. Sub. Notes	13.125*	12/01/95	100
	Sub. Deb.	13.625	12/01/05	100
Falcon Cable Systems	Sub. Deb.	14.375	12/15/00	50
First Carolina Communications	Sub. Deb.	13.500	12/01/96	45
Harte-Hanks Cable	Sr. Zero Coupon Notes	—	07/15/94	15
	Sub. Deb.	13.625	07/15/94	50
Heritage Communications	Notes	13.000	08/15/95	75
	Notes	12.000	07/15/98	75
	Notes	11.500	07/15/97	100
	Sub. Deb.	11.750	07/15/01	100
Jones Intercable	Sub. Deb.	14.500	08/01/94	35
	Sub. Deb.	12.000	08/01/97	40
	Sub. Deb.	9.750	02/01/98	70
	Sub. Deb.	13.000	03/01/00	150
Prime Cable	Sub. Deb.	13.875	11/01/97	40
Scott Cable	Sub. Deb.	13.875	11/01/97	40
SCI Holdings	Zero Coupon Sr. Notes			
	Series 1	—	12/31/90	150
	Series 2	—	12/31/91	150
	Series 3	—	12/31/92	400
	Series 4	—	12/31/93	400
	Series 5	—	12/31/94	400
	Series 6	—	12/31/95	134
	Sr. Sub. Deb.	15.000	12/31/97	600
Star Cablevision Group	Sr. Sub. Deb.	13.500*	03/15/02	50
Storer Communications	Sub. Deb.	10.000	03/15/03	138
Tele-Communications Inc.	Sr. Sub. Deb.	12.375	03/01/03	150
	Sub. Deb.	11.500	01/01/95	125
Turner Broadcasting	Ext'd. Sr. Notes	12.500	03/15/91	600
	Zero Coupon Sr. Notes			
	Series A	—	03/15/89	110
	Series B	—	03/15/90	110
	Series C	—	03/15/91	110
	Series D	—	03/15/92	110
	Sr. Sub. Notes	12.875	12/15/94	200
	Sr. Sub. Deb.	14.000	03/15/93	360
United Cable Television	Sub. Deb.	14.375	05/15/00	100
Viacom International	Sr. Sub. Notes	11.800	07/15/98	300
	Sr. Sub. Ext. Notes	11.500	07/15/91	300
Wometco Cable	Sr. Sub. Notes	13.250	12/15/96	212
	Sub. Deb.	13.500*	12/15/01	100

Source: Morgan Stanley *Included in Index

Junk, *from page 60*

more investors are willing to get involved," observes Hagle, whose company manages $20 billion in assets. Since December 1987—just after the crash—the amount of money in Van Kampen Merritt's high yield bond fund has almost doubled to $315 million from $165 million. "People feel it's safe again," he notes, "and the issuers are back."

> 'As the market is maturing, more investors are willing to get involved. People feel it's safe again, and the issuers are back.'
>
> —Peter Hagle,
> first vice president, Van Kampen Merritt

Aggressive pricing

The attractiveness of the cable industry in particular is evident in the relatively low yields on many of the industry's best issues (yield and price are inversely proportional—the higher the price the lower the yield) and the good deals cable companies can get by going to the junk market to raise capital these days.

In this most recent offering, Viacom was able to issue $300 million of senior subordinated debentures and $200 million in extendible notes at 11.80 and 11.50 percent, respectively. Cable issues generally yield between 11.25 and 15.50 percent, and market watchers and Viacom's investment bankers themselves have characterized the offering as "aggressively" priced.

"I personally didn't think they could price it below 12 percent," says Igor Fuksman, vice president at Merrill Lynch Capital Markets. "This certainly is on the lower end of what you're going to be able to do in this market," concurs Michael Marocco, senior associate at Morgan Stanley & Co.

Many companies with similar ratios of cash flow to interest rate coverage carry rates that are higher than the coupons on the new Viacom issue. For example, while Viacom should generate enough cash flow to cover interest charges about 1.3 times, most cable companies with yields in the high 11 percent range have interest coverages of 1.5 to 2 times. Viacom's coverages are closer to companies that are trading in the 12 percent range.

What allowed Viacom to come to the market at such a good rate were several factors, including good timing. When the issue was sold in late July, the market still was characterized by a limited supply of new issues. Market watchers note that the spread between yields of 10-year Treasury issues and junk bonds narrowed over the summer as Treasuries fell back on rising interest rate news, yet investors kept bidding up the price of the higher yielding, scarcer junk bonds.

However, if Viacom were to go to the market today, say market watchers, it likely would have to offer investors a higher coupon because the number of existing and pending issues has increased and the market has softened somewhat.

Just as important in the pricing of the issue was Viacom's willingness to provide investors with covenants that limit the amount of new debt the company can take on and the amount of debt an acquirer of Viacom could have. Under the terms of the securities, Viacom is not allowed to take on new debt that would result in cash flow coverages falling under 2 to 1 in 1989, 2.25 to 1 the next year, and 2.5 to 1 in 1991 and thereafter.

According to Marocco, those covenants probably shaved 50 to 100 basis points off Viacom's offering costs. Most cable operators simply are unwilling to limit the amount of debt they take on as cash flows increase, he notes, but Redstone clearly is interested in limiting the cost of and amount of any new debt the company takes on.

As one large investor in high-yield issues notes, those covenants were extremely important in making the offer attractive. Bondholders have been burned several times recently when highly-leveraged companies have been taken over or sold off to entities with new and even higher levels of debt.

Investors also say they were attracted to the Viacom offering because of the company's underlying asset values, which offer them protection in case the company runs into operating difficulties. As Richard Lindquist, vice president at T. Rowe Price Associates,

PYMS

PYMS CABLE BROKERAGE, INC.

SOLD

The cable television assets of Central Indiana Communications, Inc. serving New Palestine, Markelville, Spring Lake, Greenfield and Hancock, Shelby and Madison counties, Indiana to Insight Communications Company. This sale represents over 2,700 basic subscribers. Karen Thompson represented the seller in this transaction.

PYMS CABLE BROKERAGE, INC.
Pamela A. Pyms, President
222 Milwaukee Street, Suite 302
Denver, Colorado 80206
303 388 8168
Fax: 388 9057

This notice appears as a matter of record only. August 1988

noted when he saw the first Viacom debt offering in connection with the Redstone takeover last year, "I figured they could sell this tomorrow.... The asset values are pretty staggering."

The bottom line for many investors is that Viacom ranks among the better credits in the cable industry offering investors the opportunity to get a relatively high yield from a company that is not that far off from being investment-grade quality.

Cable's better paper

While at least one market watcher singled out the Viacom issue from the rest of the high-yield market as being particularly attractive, most observers placed Viacom squarely in the middle of the cable group which has continued to find significant favor among investors. Cable issues consistently have traded among the better quality industries at spreads to Treasury issues that were narrower than most other industries.

According to Richard Bilotti, vice president at Prudential-Bache Securities, Single B cable credits generally have traded 350 basis points off Treasury issues. Utility bonds trade at an even narrower discount, but general industrial junk bonds normally trade anywhere from 400 to 500 basis points off 10-year Treasury issues. After the October crash, those bonds were trading from 500 to 600 basis points off Treasuries.

'It's still very much a love story between the high-yield investor and the issuers of media paper.'

—Igor Fuksman, vice president, Merrill Lynch Capital Markets

Lately, the spread for cable issues has narrowed from a high this year of 450 basis points in February to its current, more normal 350 basis-point spread. "The whole market is tighter now," notes Bilotti. Says Merrill's Fuksman, "It's still very much a love story between the high-yield investor and the issuers of media paper."

The numbers tell the story. According to figures compiled by Merrill Lynch, the ML High Yield Media Composite Index indicates that investors in those issues received a total return of 1.32 percent in July. That includes both price appreciation and income from the coupon. In contrast the return provided by the 175 junk bonds in the ML 175 Index totalled 0.76 percent in July. Average yield to maturity on the high yield media composite was 12.65 percent, while the ML 175 index provided an average yield of 13.68 percent.

As Fuksman wrote in a recent report to investors, the total return numbers once again show the media outperforming the overall market. However, Fuksman expressed concern that it is increasingly difficult to find "relative value" among the higher-rated cable bonds. Because it is unlikely that many of these companies will lessen their leverage, Fuksman says there is little upside in these better credits.

"If someone wants to play a defensive game, then you can find relative value in that group," he notes, referring to companies such as Tele-

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July 1988

JAMES CABLE PARTNERS, L.P.

has acquired the assets of
certain limited partnerships affiliated with

PARADIGM COMMUNICATIONS, INC.

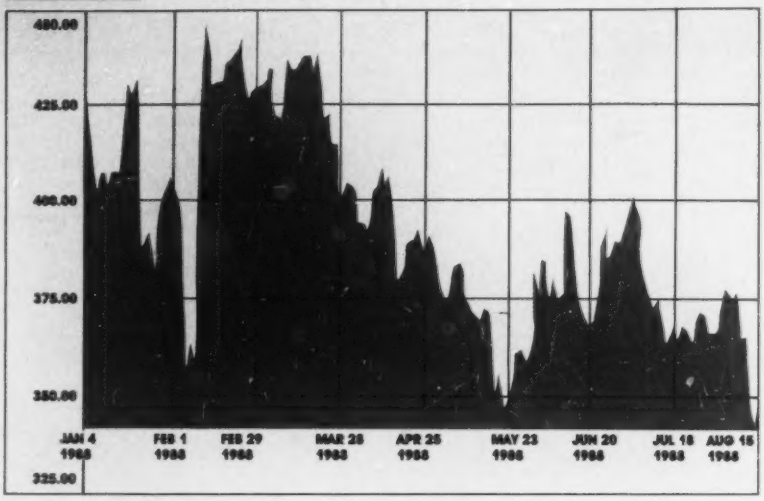
serving 13,822 basic subscribers
in Alabama, Kentucky and Tennessee.

The undersigned initiated this transaction, served as financial advisor to Paradigm Communications, Inc. and assisted in the negotiations.

WALLER CAPITAL
CORPORATION

Andrew J. Armstrong, Jr.
Senior Vice President

30 Rockefeller Plaza
Suite 4350
New York, NY 10112
(212) 632-3600



Source: Morgan Stanley

Date	US Govt. Securities 10-year Issue Yield	Cable Index Yield	Spread
Jan. 4, 1988	6.800	13.094	429
Feb. 1, 1988	8.263	12.270	401
Feb. 29, 1988	8.161	12.461	430
Mar. 28, 1988	8.623	12.621	400
Apr. 25, 1988	8.782	12.656	387
May 23, 1988	9.237	12.749	351
June 20, 1988	9.022	12.695	367
July 18, 1988	9.148	12.750	360
Aug. 15, 1988	9.367	12.839	347

July 1988
This Notice Appears As A Matter Of Record Only

ACQUIRED

AMERICAN TV & COMMUNICATIONS

has acquired three systems serving:

Lake County, Florida

Gerry Zimmerman Represented The Sellers

CF$
COMMUNICATIONS FINANCIAL SERVICES
4980 E. Quincy Avenue
Englewood, Colorado 80110
(303) 721-8818

Financial Services To The Cable Communications Industry

Communications Inc., Comcast Corp. and Continental Cablevision. But as a whole, the cable group is "not that cheap" compared to other issues in the market, he and other market watchers note.

That acknowledgment led several major money managers not to buy the Viacom issue at all or to sell it shortly after buying it. Rod Morgan, managing director at Aetna Bond Investors, which manages $150 million, says he did not buy any of the Viacom issues because they were "real rich."

In fact, the issue was so aggressively priced and the market itself has pulled back enough that the bonds are now trading down from where they were when issued. As of the end of August, the bonds were being offered at 98 1/2 to yield 12.05 percent. "This is not the only issue that's off," notes T. Rowe Price's Lindquist. "Viacom hit the top of the market," he says.

Kevin Matthews, portfolio manager for Van Kampen Merritt's High Yield Fund, says he traded his Viacom bonds for the bonds issued by Arsenal Holdings last year when Redstone initially acquired the company. Even though the new Viacom issues have higher yields now, the yields on the Arsenal Holdings issues "are better," he says.

But at least one money manager says he doesn't care where the Viacom issue is trading. What is important is the 11 percent yield for a company that is considered a fairly good credit. "Eleven point eight is a nice yield to have, period," says Van Kampen Merritt's Hagle.

As long as spreads between cable junk bonds and Treasury issues remain narrow, investment bankers and market watchers say the opportunity is there for new issuers to raise capital. Moreover, as interest rates rise in the general market, junk bonds become relatively less expensive. Already, the narrow spreads in the larger market have heralded an upcoming period of intense new-issue activity. According to published sources, more than $7 billion in new issues are currently pending.

ML Media readies offering

Within the cable industry, Merrill Lynch expects to bring a new issue to market in October for ML Media Opportunity Partners, a joint venture formed by the huge investment company with Martin Pompadur and Elton Rule. The new issue is expected to raise $75 million towards the $198 million

purchase of the Prime Cable system in Prince George's County, Md., by ML Media. The offering also includes $3.5 million in a new Class B stock issue.

The Maryland Cable Corp. zero coupon issue will be non-interest bearing until November 1993 and will pay its first dividend in May 1994. Like the Viacom bond, the ML issue includes covenants restricting the addition of debt and the acquisition of the company by another highly leveraged entity.

Market analysts expect the prices of most junk bonds to be under pressure in coming months as several major acquisitions, such as the Federated Department Store deal, get funded through the issuance of high-yield securities. Because they will be competing against a larger universe, the issuers will have to offer investors higher coupons than what was offered several months ago. As a result, those bonds already in the market may face price pressure, notes Morgan Stanley's Marocco.

That possibility is viewed positively by investment advisers who say they would like to take advantage of whatever price opportunities might open in coming months. Moreover, investment advisers predict that junk bonds in general and cable issues in particular will continue to be in strong demand in the future.

"Cable is seen as a core holding for many junk bond investors," says Lindquist. Many investors see it as "a relatively safe play" in what is otherwise a volatile market, says the money manager.

As far as the issuers are concerned, much will depend on the level of merger and acquisition activity and need by the industry for additional capital. Within the cable business, the pace of consolidation seems only to be quickening. Richard Bilotti contends that it is rare for an industry that is undergoing consolidation to get as good rates as cable. "If the industry keeps up the acquisition pace, you'll see more cable paper in the next year," he says.

As far as most investors are concerned, that's good news. As far as the industry is concerned, the window of opportunity is open. ■

'Cable is seen as a core holding for many junk bond investors.' Many see it as 'a relatively safe play' in what is otherwise a volatile market.

—Richard Lindquist,
vice president, T. Rowe Price Associates

Lifetime begins originating from Astoria

NEW YORK—Lifetime has taken the first step in establishing its new production home at Astoria Studios by originating signal transmissions from there.

That function, along with all playback operations, used to eminate from Group W Satellite Communications' facility in Stamford, Conn. Technical operations switched to Astoria Aug. 22 and have been functioning there since.

Post-production suites for Lifetime will start operating later this month, with the network's corporate staff due to occupy a four-story building at the Astoria complex by late October. Two dedicated stages will be ready for programs next January, one month before Lifetime's fifth anniversary celebration.

GI adds customer service centers

SAN DIEGO—General Instrument's Video-Cipher division will add three more customer service/repair centers over the next few months.

The centers will be located in Corona, Calif., Albuquerque, N.M., and Arlington, Tex. At the moment, GI has 23 such centers operating.

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Acquired
By

UNITED CABLE
TELEVISION CORPORATION

Cable Television System Serving 5300 Subscribers
in Davis and Portions of Yolo County, California

The Buyer was represented by the undersigned

CHARLES GREENE
ASSOCIATES

Cable Television Brokerage

1117 Perimeter Center West
Suite E-319 Atlanta, Georgia 30338
(404) 668-9577

CABLE STATS

Subscriber Count

Satellite national services

Basic services	Affiliates	Subscribers
ACTS Satellite Network	358	6,600,000
Alternate View Network	250	4,000,000
Arts & Entertainment (A&E)	2,600	34,200,000
Black Entertainment Television	1,200	20,000,000
Cable News Network	11,860	46,238,000
Cable TV and Appliance Network	N.A.	1,500,000
Cable Value Network	1,550	20,000,000
CBN Family Channel	8,215	41,642,000
C-SPAN	3,014	39,200,000
C-SPAN II	539	15,400,000
Country Music Television	862	8,000,000
The Discovery Channel	3,567	33,800,000
Eco	300	1,000,000
ESPN	9,500	47,800,000
Eternal Word Television Network	461	10,100,000
Family Guide Network	N.A.	N.A.
FamilyNet	47	1,200,000
The Fashion Channel	600	10,100,000
Financial News Network	3,500	30,500,000
FNN/Score	1,150	19,800,000
FNN/TelShop	950	11,000,000
Headline News	3,228	32,693,000
Home Shopping Network	1,342	15,700,000
Home Shopping Network II	302	5,500,000
The Inspirational Network	950	10,500,000
International Television Network	56	7,868,900
The Learning Channel	930	12,800,000
Lifetime	3,600	40,800,000
Mind Extension University	84	1,700,000
Movietime	200	7,000,000
MTV	5,010	42,700,000
The Nashville Network	7,335	41,051,392
National Jewish Television	295	6,800,000
Network 1 USOA	N.A.	N.A.
Nick At Nite	3,285	36,400,000
Nickelodeon	6,195	41,200,000
The Nostalgia Channel	290	3,500,000
Prevue Guide	175	5,000,000
QVC Network	931	12,600,000
RFD TV	N.A.	N.A.
Shop Television Network	119	4,400,000
Silent Network	380	10,300,000
Superstation TBS	8,171	45,718,000
Tempo Television	700	8,000,000
The Travel Channel	300	11,000,000
Trinity Broadcasting Network	650	8,000,000
Univision	340	N.A.
USA Network	10,100	45,200,000
VH-1	2,140	27,900,000
The Weather Channel	3,240	36,100,000
WGN-TV	11,000	24,900,000
WWOR-TV	2,499	12,302,073
WPIX-TV	858	9,678,474

Pay services		
American Exxxtasy	35	27,000
American Movie Classics	1,500	12,000,000
Bravo	350	1,300,000
Cinemax	3,650	5,100,000
The Disney Channel	5,000	3,810,000
Festival	100	42,500
Home Box Office	7,400	15,900,000
The Movie Channel	3,250	2,600,000
The Playboy Channel	550	490,000
Showtime	6,000	6,300,000

Audio services		
Cable Radio Network	49	1,556,736
Galatic Radio	84	1,050,000
KKGO Super Jazz	18	133,639
Moody Bible Institute	63	1,058,368
Satellite Radio Network	237	483,000
Seeburg Lifestyle Music	142	2,578,838
Seeburg Lifestyle Adult Contemporary	26	854,390
Tempo Sound	125	1,250,000
WFMT Chicago	170	1,259,804

Text services		
AP News Cable	185	2,500,000
AP Business Plus	54	1,400,000
AP News Plus	75	2,100,800
Cable SportsTracker	41	875,000
DBC/MarketWatch	462	9,200,000

Text services	Affiliates	Subscribers
EPG	280	6,800,000
EPG Jr.	330	300,000
Genesis Storytime	39	1,550,000
Reuters NewsView	127	2,437,000
X*Press Executive	450	5,001,829
X*Press X*Change	450	4,000,000

Non satellite-fed national services

Basic services	Affiliates	Subscribers
Cable Video Entertainment	190	18,000,000
Fuji Network	3	12,000
Nippon Golden Network	3	13,000
Talaction	1	4,000
Vector Consumer News	5	200,000
Vector Consumer Shopping Guide	9	325,000
Video Jukebox Network	9	268,000

Regional entertainment services

Basic services	Affiliates	Subscribers
Atlanta Interfaith	7	177,000
Bay Area Religious Channel	6	113,000
Buffalo Sabres Hockey	6	455,000
Cable TV Network of New Jersey	34	1,396,451
The Ecumenical Channel	9	170,000
KBL Entertainment Network	67	1,000,000
KTVT	415	3,588,270
Life Newsvision	35	80,000
Madison Square Garden Network	112	2,500,000
Meadows Racing Network	14	600,000
News 12 Long Island	4	532,000
Prime Cable	9	381,938
Prime Ticket	55	2,300,000
SportsVision	50	1,507,270
Sunshine Network	112	1,700,000

Pay services		
Home Sports Entertainment	196	684,740
Home Team Sports	114	1,000,000
New England Sports Network	160	262,138
Prism	87	427,000
Pro-Am Sports	140	301,000
SportsChannel (Florida)	10	470,000
SportsChannel (New England)	147	942,943
SportsChannel (New York)	94	1,150,000
Z Channel	65	110,010

Note: Figures for affiliate/subscriber counts will be updated quarterly unless information is provided by the service. Send information to: CableVision, Cable Stats, 432 Park Avenue South, Suite 1010, New York, NY 10016.
N.A denotes information not available.

Announced services

Satellite-fed services	Expected launch
American Man's Network	2/89
ATV: Advertising Television	1/89
CD/8: The Digital Music Network	9/88
The Computer Channel	1/89
Digital Cable Radio	1st Quarter 1989
Digital Radio Labs	1st Quarter 1989
Interactive Game Network	3rd Quarter 1989
Kids Information Network	4th Quarter 1988
The Landscape Channel	4th Quarter 1988
Laugh TV	1st Quarter 1989
Main Street	2nd Quarter 1989
Mizlou Cable Sports Network	4/89
Spanish TV News Network	11/88
Talk Television	1st Quarter 1989
TNT	10/88
Vision Interfaith Satellite Network	9/88
Wingtips	4th Quarter 1989